The issue of LD was settled through mutual negotiations and the seller agreed to adjust the amount of LD against extended guarantee for 2 years 4 months for the first two ships and 1 year 6 months for the third ship.

Contract for smart card system

3024. SHRIMATI KAMLA MANHAR: Will the Minister of DEFENCE be pleased to state:

(a) whether it is a fact that Indian Army has awarded the contract for Smart Card Based Canteen and Grocery Management System (SCBCGMS) to Delhi based firm Smart Chip Limited without security clearance from various investigating agencies;

(b) if so, the reasons therefor;

(c) whether proper tender procedure as laid down by CVC has not been adhered to before awarding contract to above firm;

(d) if so, the reasons therefor; and

(e) what is the value of the contract with terms and conditions laid down by Government?

THE MINISTER OF DEFENCE (SHRÍ PRANAB MUKHERJEE): (a) to (e) Implementation of Quarter Master General's (QMG's) Branch Software on Canteen Inventory Management System (CIMS) software interfaced with smart cards has been awarded to M/s Smart Chip Limited after following the laid down procedures. Clearance from various investigating agencies was not sought as Army Head Quarters have assessed that the data pertaining to CIMS is not classified. However, all the employees of Smart Chip Limited who are involved in implementation of CIMS are required to obtain security clearance from the respective formation Head Quarters. They are not allowed to access any classified data or any area other than the canteens.

Limited tender was floated by Army Head Quarters, QMG's Branch as per the laid down procedures and finalized after vetting by the Judge Advocate General (JAG), Army.

There is no set value of the contract and as and when customers of the Canteen Stores Department opt to purchase the smart card, they are required to pay Rs. 100/- towards the cost of smart card to the Unit Run

Canteens out of which Rs. 95/- goes to M/s Smart Chip Limited towards cost of the personalised smart cards. The number of smart cards prepared were 5,84,138 in 2004 and 12,29,344 in 2005 (till August 11, 2005).

Security risk in smart card system

3025. SHRI DHARAM PAL SABHARWAL: Will the Minister of DEFENCE be pleased to state:

(a) whether Indian Army has entrusted the project of Smart Card Based Canteen and Grocery Management System to Delhi based firm M/s Smart Chip Limited without taking into account the security related risks in the project;

(b) if so, the details and reasons therefor;

(c) whether Government are aware that according to media reports instead of maintaining detabase of army across the country, the related movements of troops are being tracked by smart chip through Online Transaction Processing Controlled System (OTPCS); and

(d) if so, whether Government will enquire and suspend the award of the project in the country's security interest and if not, the reasons therefor?

THE MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE): (a) to (d) Implementation of the Quarter Master General's (QMG's) Branch Software on CIMS (Canteen Inventory Management System) software interfaced with smart cards has been awarded to M/s Smart Chip Limited after following the laid down procedures. Clearance on account of security was not sought as Army Head Quarters have assessed that the data pertaining to the CIMS is not classified. However, all the employees of Smart Chip Limited who are involved in implementation of CIMS are required to obtain security clearance from the respective formation Head Quarters before taking up the work. They are not allowed to access any classified data or any area other than the canteens.

Information pertaining to the movement of troops is not available in the canteens. The information is unlikely to be assessed and tracked. The security interest of the country is, therefore, not jeopardized.